

**MMA Testimony in the Senate Reform and Restructuring Committee  
Regarding State and Local Employee Medical Benefits  
SB 1046, SB 1047, and SJR P  
3/17/2010**

Mr. Chair and committee members,

Thank you for the opportunity to be here today. I am Vice President of Government Affairs and pleased to be here to speak on behalf of MMA members that are part of the largest sector of Michigan's economy. We appreciate you taking up legislation that will help address Michigan's chronic structural deficit, because Michigan must reduce its cost of operation to become more competitive in the cost based global economy.

As you well know, Michigan is in a period of dramatic change. While Michigan spent most of the last century enjoying a per capita far above the national average, our per capita income now sits far below the national average, in fact, Michigan ranks 37<sup>th</sup> in the nation, or 87% of the national average, in per capita income. On that list, North Carolina is 35<sup>th</sup>, Tennessee is 36<sup>th</sup> and Georgia is 38<sup>th</sup>. As Gary Olson said during the revenue estimating conference, "We use to be a wealthy state. We are not a wealthy state anymore."

To help provide some justification for the path you are on, I would like to quote some figures from the Bureau of Labor Statistics, from the 2009 National Compensation Survey (NCS). The national survey allows us to compare ourselves to the nation. Among full-time state and local government workers 99% had access to medical benefits. But, among full-time workers in private industry, only 86% had access to medical benefits.

As for the share of premiums, the employer's share for single coverage in state and local government was 90%, while the private sector contributed 80%. So, state and local governments nationally, pay medical benefits more often, and in greater amounts than private sector employers.

A common response to these statistics on benefits of state and local employees is that it is acceptable because public employees make less than private sector employees. However, according to a report by the Anderson Economic Group, LLC in August of 2008, Michigan state and local employees make substantially more than private sector employees and more than their cohorts nationally.

**Average Annual Compensation per Worker**

	<b>Michigan</b>	<b>Nationally</b>
<b>Private Sector</b>	<b>\$40,886</b>	<b>\$41,127</b>
<b>State and Local Government</b>	<b>\$54,085</b>	<b>\$53,147</b>
<b>State Government</b>	<b>\$57,788</b>	<b>\$54,279</b>

It is time to question whether it is appropriate to provide public sector employees with more pay and better benefits than average private sector employees, and more than their cohorts nationally.

If manufacturers in Michigan are going to compete with manufacturers in other states, and around the globe, we must reduce the cost of state government.

I appreciate the opportunity to bring some context to the discussion of the cost of state government. We encourage you to move forward on reducing these costs, and addressing the structure cost problem in Michigan.

Thank you.

Per Capital Income - 2008

[http://www.bea.gov/scb/pdf/2010/02%20February/DPages/0210dpg\\_i.pdf](http://www.bea.gov/scb/pdf/2010/02%20February/DPages/0210dpg_i.pdf)